

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 CAPITOL MALL, ROOM 485

SACRAMENTO, CA 95814

TELEPHONE: (916) 654-6340

FAX: (916) 654-6033



William J. Pavão
Executive Director

MEMBERS:

Bill Lockyer, Chair
State Treasurer

Michael C. Genest, Director
Department of Finance

John Chiang
State Controller

DATE: January 25, 2008
TO: Tax Credit Applicants
FROM: William J. Pavão, Executive Director
RE: Methodology for Determining Rural Status of Project Site

Under California law, the Tax Credit Allocation Committee (TCAC) must set aside 20 percent of all annual nine percent (9%) federal credits for projects in rural areas (Revenue and Taxation Code 23610.5(j)(5) and Health and Safety Code 50199.20). Additionally, TCAC's regulations require that all projects in rural areas compete for credits in this rural set-aside, with certain limited exceptions (CCR Section 10315(c)). Therefore, all applicants for 9% tax credits must document to the Committee's satisfaction the rural or non-rural status of the project. "Rural area" is defined State statute at Health and Safety Code Section 50199.21. The definition includes a three-part test. If a proposed project would be in a rural area, it would be considered rural and must compete under the rural set aside. There are two methodologies for determining a project's rural status:

- 1) The project must pass one of the three steps provided in this memo.

Or

- 2) The applicant must provide a current letter from the project's local USDA agency evidencing that it is in an RHS Section 515 designated area.

Step 1: Non-metropolitan Counties Projects in non-metropolitan areas are considered rural. Under the current definition of "metropolitan statistical area" established by the US Office of Management and Budget, 21 of California's 58 counties qualify as non-metropolitan. Projects located in the following counties do not have to provide documentation of their rural status, and will be considered rural applicants:

Alpine	Humboldt	Lassen	Plumas
Amador	Mendocino	Mariposa	Sierra
Calaveras	Modoc	Tehama	Siskiyou
Colusa	Mono	Trinity	
Del Norte	Inyo	Tuolumne	
Glenn	Lake	Nevada	

Conversely, the City and County of San Francisco is considered urbanized, and applicants need not provide documentation regarding projects proposed within that region. TCAC will consider all San Francisco projects as non-rural.

Step 2: Rural Housing Service (RHS) Eligible Area Beyond the 21 counties listed above, areas eligible for the RHS Section 515 program are also considered rural. Go to the USDA Rural Development website to check if the property is located in an eligible area. The website address is http://www.rurdev.usda.gov/ca/mfh/515_program.htm. At the website address, proceed as follows:

- a) Select the “Designated Place List – Fiscal Year 2007” link.
- b) Check your project’s location against locations on the five-page PDF file list that opens.
- c) Submit a printout of the page in the designated places list with the location of your project highlighted, and evidence of your project’s location within that place (see step 3 below), as Exhibit 11.

Step 3: Small City Status: If neither steps 1 or 2 have resulted in a rural determination a project site could still be rural if it is within or adjoining a small city. If the project site is within or adjoins an incorporated city, download State Department of Finance’s Report E-1 at: <http://www.dof.ca.gov/HTML/DEMOGRAP/ReportsPapers/Estimates/E1/documents/E-1table.xls>. Check the city’s latest population estimate. Projects proposed in cities of more than 40,000 would be considered non-rural. If located in an incorporated city of 40,000 or less, or in the unincorporated area adjoining that small city, the project may be considered rural if the project’s census tract is not designated as an “urbanized area” or “part of an urbanized area.” Note that the state’s statutory definition specifies “urbanized areas.” The 2000 Census also designates some areas as “urban clusters” (i.e., areas not defined as an “urbanized area” but still demonstrably urban). A proposed project could reside in an “urban cluster” and still meet the rural definition under Step 3. Only the census designation “urbanized area” would disqualify a project for the rural set-aside under this step. Proceed as follows:

- a) Go to the Census Bureau’s 2000 Census website at this location: <http://www.census.gov/main/www/cen2000.html>. Under “Access Data by Geography” select the “street address” link (regardless of whether the project has an established address).
- b) On the subsequent screen, enter the project’s address or that of another nearby property located within the same census tract (as close to the project as possible). Select “Go” and additional information will display at the bottom of the page.
- c) Select “Census Tract” in the Geographies section of the enhanced screen and select “Map It.”
- d) Print the census tract map provided, and submit it as Exhibit 11. The map may show the census tract as “urban” according to the legend provided with the map. However, the census tract will only be considered urban if the map includes bold face type with a “UA” designation. If the map includes no such designation, or shows the census tract as urban but has a “UC” designation, the census tract is considered rural.

Two cities in California with a rural status that may change within the next few years: Hollister in San Benito County, and El Centro in Imperial County. Both counties are metropolitan areas; both cities are ineligible for RHS assistance, and both are growing cities that are part of an “Urban Cluster” and have populations of over 35,000.

Technical Assistance: If you have completed the previous steps and are still unsure as to rural status of your project, you should contact both RHS and HCD and request a status determination from them. Contact:

Mario Angel
Division of Housing Policy Development
California Department of Housing and
Community Development
1800 3rd Street
P.O. Box 952053
Sacramento, CA 94252-2053
Phone: 916-445-3485
Fax: 916-327-2643
mangel@hcd.ca.gov

Debra Moretton
Multifamily Housing Program Coordinator
USDA, Rural Development
California State Office
430 G Street, Agency 4169
Davis, CA 95616-4169
Phone: 530-792-5821
Fax: 530-792-5838
debra.moretton@ca.usda.gov